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SUBJECT: Jordan Completes First Privatization Deal in its Energy Sector

REFS: A) Amman 3812  
B) Amman 2752

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11. (SBU) Summary: On October 17, the Government of Jordan (GOJ) finalized the privatization sale of the Central Electric Generating Company (CEGCO) - the first in Jordan's energy sector as part of a privatization program underway since 1996 (ref A). No immediate lay-offs of CEGCO's 1,600 employees are expected. The newly formed Enara company, which now owns 51 percent of CEGCO, plans to invest in personnel training, improve efficiency, and expand operations outside Jordan. End Summary.

Enara Buys 51 Percent of CEGCO  
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12. (U) In a deal valued at USD 320 million, the energy investment arm of Jordan Dubai Capital (JCD - JD Energy), the Malaysian Malakoff electricity company, and the Athens-based Consolidated Contractors Company (CCC) signed the paperwork on October 17 to finalize their joint purchase of 51 percent of CEGCO from the GOJ after months of negotiations. The three companies formed a consortium called Enara, offering the technical expertise of Malakoff, JCD's financial expertise, and CCC's experience in investing in the energy sector. The GOJ also transferred nine percent of its remaining share to the Investment Unit of the Social Security Corporation (SSC).

No Lay-offs  
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13. (U) CEGCO currently has 1,600 employees, 70 percent of whom are technicians or engineers. During an October 25 meeting with Econoff, CEGCO Director General Abdel Fattah Al-Nsour said that his staff is highly trained and critical to ongoing operations, so he did not expect any near term lay-offs.

1,763 MW Installed Capacity  
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14. (U) Nsour noted that CEGCO has an installed capacity of 1763 MW

generated from five main power plants and a few smaller operations, including the 656 MW Aqaba Thermal Power Station in southern Jordan, the 396 MW Hussein Thermal Power Station in Zarka, the 150 MW Risha Power Station in Mafrq district, the 357 MW Rehab Single and Combined Cycle Power Stations in northern Jordan, and the 92 MW Marka Power Station near Amman.

¶5. (U) The government-owned National Electric Power Company (NEPCO) is the sole purchaser of electricity from CEGCO (ref B). In turn, NEPCO sells the purchased electricity to the distribution companies, who then sell it to households. CEGCO sold 8,486 GWh in 2006, contributing approximately 80 percent of the total electricity produced in Jordan in 2006. Nsour proudly reported that CEGCO has maintained above 92 percent availability this past year, exceeding international standards.

#### Greatest Challenge: Improving Efficiency

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¶6. (SBU) According to Nsour, CEGCO's greatest challenge will be remaining competitive with the other power plants, including its largest competitor Samra Electric Power Generating Company and the new Independent Power Producer (IPP) in East Amman run by American firm AES and Japan's Mitsui. Although there is a regulated formula for the price that allows NEPCO to buy electricity from CEGCO, Nsour explained that CEGCO needs to focus on increasing efficiency, especially since its equipment is older than many of the newer power plants and requires significant maintenance. He added that CEGCO's plants have the advantage of being able to use diverse resources to produce electricity, including heavy fuel oil, diesel, wind, hydro, and natural gas, whereas the IPP's in Jordan are dependent on a single source, natural gas.

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#### Enara Plans to Expand Outside Jordan

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¶7. (U) In the October edition of Jordan Business magazine, JDC's Chief Executive Officer Samir Rifai noted that the privatization deal will yield better service to the average Jordanian consumer but not necessarily lower costs, unless the government decides to lower what it charges consumers. Rifai indicated that significant investment would be spent on upgrading the skills of CEGCO employees and finding more efficient ways to run the operation. Enara plans to look for business opportunities outside Jordan, and present an aggressive expansion plan to the Jordanian government for consideration.

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